

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 COME-00 PM-03 CIAE-00 DODE-00 H-01

INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02

SS-15 USIA-06 FEA-01 ACDA-05 IO-10 OES-03 AID-05

EB-07 CIEP-01 TRSE-00 STR-01 OMB-01 CEA-01 AEC-05

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 5074

C O N F I D E N T I A L OTTAWA 3865

E.O. 11652: GDS

TAGS: ETRD TECH CA US

SUBJECT: GENERAL ELECTRIC CONTRACT FOR URANIUM SUPPLY

REF: STATE 258723

1. GE LAWYERS DANKMEYER AND SKOK, DUE TO FLIGHT DIFFICULTIES, ONLY ARRIVED IN OTTAWA AFTERNOON OF NOVEMBER 26, SPENT ABOUT ONE HALF HOUR WITH EMBOFFS AND RETURNED TO CALIFORNIA. THEY DID NOT REPEAT NOT MEET WITH ATOMIC ENERGY CONTROL BOARD (AECB) BUT STATED THEY HAD MET WITH EL DORADO OFFICIALS IN TORONTO EVENING OF NOVEMBER 25 AND MORNING OF NOVEMBER 26.

2. ACCORDING TO GE LAWYERS, EL DORADO NUCLEAR LTD. (A CROWN CORP.), IN SUBMITTING CONTRACT FOR SALE OF 5 MILLION POUNDS OF U3 O8 URANIUM TO AECB IN OCTOBER FOR EXPORT LICENSE APPROVAL, COMPLETELY FAILED TO PROVIDE BOARD WITH ANY BACKGROUND MATERIAL, INCLUDING FACT THAT PRICES QUOTED BY EL DORADO AND ACCEPTED BY GE IN FEBRUARY WERE PREMIUM PRICES AT THAT TIME. WHETHER THIS WOULD HAVE MADE ANY DIFFERENCE TO AECB IN REJECTING THE APPLICATION IS NOT KNOWN. HOWEVER, GE LAWYERS TOLD EMBOFFS THAT THE PURPOSE IN MEETING

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WITH EL DORADO IN TORONTO WAS TO DRAFT LETTER PROVIDING

THIS INFORMATION FOR EL DORADO TO SUBMIT TO AECB IN REQUESTING THAT CASE BE RECONSIDERED. EL DORADO REPORTEDLY DISSUADED GE LAWYERS FROM SEEKING PERSONAL MEETING WITH AECB, BUT LETTER, AS DRAFTED, WILL MAKE OFFER TO AECB FOR SUCH A MEETING.

3. FAILING AECB WILLINGNESS TO RECONSIDER (EMBASSY UNDERSTANDS THERE IS NO APPEAL PROCEDURE IN AECB CONTEXT), GE LAWYERS INDICATED THEY MIGHT REPEAT MIGHT CONSIDER LEGAL ACTION, POSSIBLY REPEAT POSSIBLY ON GROUNDS THAT AECB ACTION CONSTITUTES "EXPROPRIATION" OF URANIUM "OWNED" BY GE UNDER THE TERMS OF THE CONTRACT. IN THIS CONNECTION, GE MAY DECIDE TO ENGAGE OTTAWA LEGAL COUNSEL AS CANADIAN GENERAL ELECTRIC (CGE), SENSITIVE TO ITS POSITION AS CANADIAN COMPANY, WOULD PROBABLY NOT WISH TO INVOLVE ITSELF IN THIS MATTER.

4. GE LAWYERS ALSO SAID THEY WOULD RECOMMEND DELETING FROM THE CONTRACT A "FAVORED NATIONS" CLAUSE WHEREBY EL DORADO AGREED TO LOWER PRICES TO GE AT ANY TIME IT SOLD URANIUM TO OTHER PURCHASERS AT PRICES LOWER THAN GE'S CONTRACT PRICES. GE UNDERSTANDS THAT THIS CLAUSE IS PARTICULARLY DISLIKED BY AECB.

5. GE LAWYERS STATED THEY COULD NOT REPEAT NOT BE OPTIMISTIC ABOUT LIKELY OUTCOME OF CASE, BUT THAT PENDING EL DORADO'S REAPPROACH TO AECB AND FURTHER GE STUDY OF MATTER, NO REPEAT NO EMBASSY ACTION SHOULD BE TAKEN. GE LAWYERS ALSO REMARKED THAT IT WOULD BE VERY DIFFICULT IF NOT IMPOSSIBLE TO SECURE OTHER SOURCES OF URANIUM, LET ALONE AT PRICES CALLED FOR IN CONTRACT WITH EL DORADO.

6. EMBASSY COMMENT: WE FIND IT DIFFICULT TO BELIEVE THAT EL DORADO WILL WORK VERY HARD ON THE AECB ON BEHALF OF GE WHEN EL DORADO WOULD STAND TO BENEFIT BY UP TO \$15 MILLION IF THE CONTRACT PRICES ARE RENEGOTIATED TO MEET AECB VIEWS ON WHAT THE EXPORT PRICES SHOULD BE. GE LAWYERS OBVIOUSLY AWARE OF THIS PROBLEM BUT AT SAME TIME APPEAR TO RECOGNIZE THAT THEY CONFIDENTIAL

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HAVE NO CHOICE BUT TO WORK THROUGH EL DORADO. THEY ALSO APPRECIATE THAT USG ATTEMPT TO INFLUENCE CASE BEFORE CANADIAN REGULATORY BODY COULD BE COUNTERPRODUCTIVE. JOHNSON

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